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OFFICE OF THE CITY CLERK
OAKLAND

2016 NOV 22 PM 3:05

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Mark Sawicki
Director, EWD

SUBJECT: Lease of 5050 Coliseum Way and
750 50th Avenue

DATE: November 14, 2016

City Administrator Approval

Date:

11/22/16

RECOMMENDATION

Staff recommends that the City Council Adopt An Ordinance Authorizing The City Administrator, Without Returning To Council, To Negotiate And Execute A Lease For Properties Located At 5050 Coliseum Way And 750 50th Avenue With Dodg Corporation For Use By The City's Public Works Department For A Term Of Ten (10) Years, With Five, Three-Year Options To Extend The Lease, For The Monthly Rental Amount Of Forty-Three Thousand Dollars (\$43,000), Equal To An Initial Aggregate Annual Amount Of Five Hundred Sixteen Thousand Dollars (\$516,000), Plus Consumer Price Index Increases Each Annual Anniversary Date Not To Exceed Five Percent Per Year; And Making Certain California Environmental Quality Act Exemption Findings.

EXECUTIVE SUMMARY

Since 1994, the Oakland Public Works Department (OPW) has leased adjacent parcels located in the City of Oakland (the "City") at 5050 Coliseum Way and 750 50th Avenue, comprising six acres and 43,200 square feet of combined building space (the "Properties"). The 5050 Coliseum Way parcel is 4.84 acres with a 37,200 square foot building; the 750 50th Avenue parcel is 1.16 acres with a 6,000 square foot building. OPW uses the parcels for heavy vehicle maintenance, vehicle and equipment storage, office space and parking.

Dodg Corporation ("Dodg" or "Landlord") purchased both Properties in 2001 and assumed the City leases as Landlord of the Properties. The lease with Dodg expired on January 31, 2015, and the City's current legal status is as a "holdover tenant".

Dodg proposed a new lease that includes revised and new terms and conditions agreeable to OPW (the "Lease"). The Lease includes both parcels and has a term of ten years, with five, three-year extension options, which if exercised, will allow OPW to use the parcels for up to 25 years. The initial monthly rent is \$43,000 (or \$516,000 on an annual basis) for the first year, plus increases each annual anniversary date thereafter based on the change in the Consumer Price Index, not to exceed five percent per year. As an "industrial gross" Lease, OPW will also pay customary operational costs such as property taxes, insurance, operation costs, utilities, and late fees, if applicable.

Item: _____
CED Committee
December 6, 2016

BACKGROUND / LEGISLATIVE HISTORY

Prior to 1994, the operations and services delivered at 5050 Coliseum Way and 750 50th Avenue were provided at the Multi-Service Center located at 7101 Edgewater Drive. With service expansion and increased equipment needs, OPW outgrew 7101 Edgewater Drive and identified these Properties to better meet its needs.

Ordinance No. 11691 C.M.S. dated March 1, 1994, authorized the execution of a lease for 5050 Coliseum Way between the City of Oakland and Volvo-GM Heavy Truck Corporation (the prior property owner). Resolution No. 75136 C.M.S. dated July 13, 1999, authorized the execution of the Lease for 750 50th Avenue between the City of Oakland and Volvo-GM Heavy Truck Corporation. Dodg Corporation purchased both properties in 2001 and assumed the leases and became the Landlord of the Properties.

Over time, the Properties have been improved by OPW to meet the department's specific needs, which were critical to its operations.

ANALYSIS AND POLICY ALTERNATIVES

Staff has conducted a fair market rent analysis which concluded that the proposed rent under the Lease for 5050 Coliseum Way and 750 50th Avenue are within the fair market rent range for comparable local properties. During the analysis, staff also determined that there are no available properties on the market that are viable alternatives for OPW purposes at this time. Furthermore, if comparable vacant space were to become available, OPW does not have the funds required to relocate and pay for tenant improvements required for their operations.

Entering into a new Lease for the Property is critical to overall OPW operations. If the City fails to retain the existing space, OPW will not have adequate space for its heavy vehicle maintenance, or vehicle and equipment storage.

Under the terms of the Lease, Dodg shall maintain the Property in good condition, barring reasonable wear and tear. In addition, the Landlord has agreed to several non-customary maintenance obligations, as follows:

- (i) Maintain the building foundations, bearing and exterior walls, sub-flooring, roof, ceiling, parking lot and restriping, window frames, gutters and downspouts, remove mold, mildew, and repair any damage therefrom;
- (ii) Repair existing parking lot pot holes and restripe within six months of Lease execution; and
- (iii) Repair existing roof leaks within six months of Lease execution.

FISCAL IMPACT

The initial monthly rent is \$43,000 (or \$516,000 on an annual basis), with annual increases based on the change in the consumer price index, not to exceed five percent. OPW will also be required to pay its share of property taxes, insurance, operation costs, utilities and late fees, if applicable. Funding has been set aside in the OPW budget in the Equipment Fund (4100) and Comprehensive Clean-up Fund (1720) for the expenditures. The funding block is 1.4100.30541.53211.0000000.IN01.

PUBLIC OUTREACH / INTEREST

OPW staff routinely reaches out to the community to promote services they provide. Prior to the City Council's review of this item, the public will receive information as required by the Oakland Sunshine Ordinance and the Brown Act.

COORDINATION

This report and the actions discussed herein have been coordinated with staff from the City Council offices, the City Administrator's Office, the City Attorney's Office, OPW, Environmental Services Bureau, Economic Development Division, and the Controller's Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: Maintaining these Properties will save the City relocation costs and expenses to a new facility or of constructing a new custom facility at a different location. An additional benefit will result in continued efficient operations.

Environmental: This proposed action does not provide any environmental benefits.

Social Equity: There is no social equity opportunities associated with this report.

CEQA

Council hereby finds and determines that the action is categorically exempt from the requirements of the California Environmental Quality Act (CEQA) Guidelines under Section 15301 which exempts renewals, extensions or amendments to Leases and License and Concession Agreements for existing facilities that involves negligible or no expansion of use beyond that existing at the time of the lead agency's determination. The use is consistent with the City's General Plan Land Use designation and with the zoning and other land use requirements. It is located within a commercially developed urban area. No habitat values have been identified for rare, threatened or endangered species. The continued use of the Property will not result in any additional impacts pertaining to noise, traffic, air quality or water quality because the Lease will maintain occupancy for existing OPW maintenance operations that are

managed in accordance with standard City requirements. Finally, the subject parcels and structures are currently served and will continue to be served adequately by all required public utilities and services.

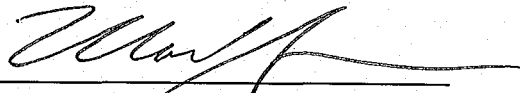
ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council

Adopt An Ordinance Authorizing The City Administrator, Without Returning To Council, To Negotiate And Execute A Lease For Properties Located At 5050 Coliseum Way And 750 50th Avenue With Dodg Corporation For Use By The City's Public Works Department For A Term Of Ten (10) Years, With Five, Three-Year Options To Extend The Lease, For The Monthly Rental Amount Of Forty-Three Thousand Dollars (\$43,000), Equal To An Initial Aggregate Annual Amount Of Five Hundred Sixteen Thousand Dollars (\$516,000), Plus Consumer Price Index Increases Each Annual Anniversary Date Not To Exceed Five Percent Per Year; And Making Certain California Environmental Quality Act Exemption Findings.

For questions regarding this report, please contact James Golde, Manager, Real Estate Services Division at 510-238-6354.

Respectfully submitted,



MARK SAWICKI
Director, Economic & Workforce
Development Department

Reviewed by:
James Golde, Manager
Real Estate Services Division

Jason W. Mitchell, Assistant Director
Public Works Department

Prepared by:
Anthony J. Reese, MBA, Real Estate Agent
Real Estate Services Division

Attachments:

- A. Ordinance with Lease Term Sheet

Item: _____
CED Committee
December 6, 2016

2016 NOV 22 PM 2:07

Approved, as to Form and Legality

City Attorney

OAKLAND CITY COUNCIL

ORDINANCE No. _____ C.M.S.

AN ORDINANCE AUTHORIZING THE CITY ADMINISTRATOR, WITHOUT RETURNING TO COUNCIL, TO NEGOTIATE AND EXECUTE A LEASE FOR PROPERTIES LOCATED AT 5050 COLISEUM WAY AND 750 50TH AVENUE WITH DODG CORPORATION FOR USE BY THE CITY'S PUBLIC WORKS DEPARTMENT FOR A TERM OF TEN (10) YEARS, WITH FIVE, THREE-YEAR OPTIONS TO EXTEND THE LEASE, FOR THE MONTHLY RENTAL AMOUNT OF FORTY-THREE THOUSAND DOLLARS (\$43,000), EQUAL TO AN INITIAL AGGREGATE ANNUAL AMOUNT OF FIVE HUNDRED SIXTEEN THOUSAND DOLLARS (\$516,000), PLUS CONSUMER PRICE INDEX INCREASES EACH ANNUAL ANNIVERSARY DATE NOT TO EXCEED FIVE PERCENT PER YEAR; AND MAKING CERTAIN CALIFORNIA ENVIRONMENTAL QUALITY ACT EXEMPTION FINDINGS

WHEREAS, since 1994, the Oakland Public Works Department ("OPW") has leased adjacent parcels located in Oakland (the "City") at 5050 Coliseum Way and 750 50th Avenue, comprising six acres and 43,200 square feet of building space combined (the "Properties"). The 5050 parcel is 4.84 acres developed with a 37,200 square foot building; the 750 parcel is 1.16 acres developed with a 6,000 square foot building. OPW uses the sites for heavy vehicle maintenance, vehicle and equipment storage, office space and parking; and

WHEREAS, Dodg Corporation, owner of the Properties, proposed entering into a new lease that included terms and conditions agreeable to the City (the "Lease"). The Lease provides for both parcels and has a term of 10 years, with five three-year extension options that allow the City to occupy the Properties for up to 25 years; and

WHEREAS, under the terms of the Lease, the initial monthly rent is \$43,000 (or \$516,000 on an annual basis) for the first year, plus increases each annual anniversary date thereafter based on the change in the Consumer Price Index, not to exceed five percent per year; and

WHEREAS, in addition to monthly rent, OPW will pay operational costs such as property taxes, insurance, operation costs, utilities, and late fees, if applicable; and

WHEREAS, funding has been set aside in the OPW budget in the Equipment Fund (4100) and Comprehensive Clean-up Fund (1720) for the payment of rent and operational costs. The funding block is 1.4100.30541.53211.000000.IN01; and

WHEREAS, staff conducted a fair market rent analysis which concluded that the rent for the Properties are within the fair market rent range for comparable local properties. During the analysis, staff also determined that there were no available properties on the market that were deemed viable alternatives for OPW at this time. Furthermore, if comparable vacant space were to become available, OPW does not have the funds required to relocate and pay for tenant improvements required for their operations; and

WHEREAS, the Lease Term Sheet is attached hereto as Exhibit A;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:

Section 1. The City Council finds and determines the foregoing recitals to be true and correct and hereby makes them a part of this Ordinance.

Section 2. The City Administrator, without returning to the City Council, shall (i) determine satisfaction of conditions precedent to the execution of the Lease with Dodg and (ii) authorize OPW to pay its share of property taxes, insurance, operation costs, utilities and late fees, if applicable. Funding has been set aside in the OPW budget in the Equipment Fund (4100) and Comprehensive Clean-up Fund (1720) for the expenditures. The funding block is 1.4100.30541.53211.000000.IN01.

Section 3. The City Administrator or designee is authorized to negotiate and execute the Lease with Dodg Corporation and take whatever action is necessary with respect to this Ordinance.

Section 4. The Lease will have a term of ten (10) years with five, three-year options to extend the Lease.

Section 5. The Lease for the Properties includes all of the negotiated and agreed upon terms and conditions as set forth in Exhibit A attached hereto.

Section 6. The Lease shall be reviewed and approved as to form and legality by the City Attorney's Office prior to execution by the City, and a copy shall be placed on file with the City Clerk.

Section 7. Council hereby finds and determines that on a separate and independent basis each of the following exemptions from the requirements of the California Environmental Quality Act (CEQA) Guidelines apply to the action of entering the Lease: (i) Section 15301 which exempts existing facilities that involve negligible or no expansion of use beyond that existing at the time of the City's determination; (ii) Section 15183 which exempts projects consistent with the City's General Plan; and (iii) Section 15061(b)(3)

which exempts projects where it can be seen with certainty that there is not possibility that the activity in question may have a significant effect on the environment.

Section 8. The City Administrator or designee is hereby authorized to file a notice of exemption with the Office of the Alameda County Recorder and to take any other action necessary in furtherance of entering the Lease, consistent with this Ordinance and its basic purposes.

Section 9. The record before this Council relating to this Ordinance includes, without limitation, the following:

- A. All staff reports and other documentation and information produced by or on behalf of the City, including all notices relating to this Ordinance and the Lease;
- B. All oral and written evidence received by City staff and the City Council before and during the consideration of this Ordinance; and
- C. All matters of common knowledge and all official enactments and acts of the City, such as (1) the General Plan; (2) the Oakland Municipal Code, without limitation, the Oakland real estate regulations; (3) the Oakland Planning Code; (4) other applicable City policies and regulations; and (5) all applicable state and federal laws, rules and regulations.

Section 10. The custodians and locations of the documents or other materials which constitute the record of proceedings upon which the City Council's decision is based are respectively (a) the Real Estate Services Division, 250 Frank Ogawa Plaza, 4th Floor, Oakland, CA and (b) the Office of the City Clerk, 1 Frank Ogawa Plaza, 1st Floor, Oakland, CA.

Section 11. The Ordinance shall be in full force and effect immediately upon its passage as provided by Section 216 of the City Charter if adopted by at least six members of Council, or upon the seventh day after final adoption if adopted by fewer votes.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, CAMPBELL WASHINGTON, GALLO, GUILLÉN, KALB, KAPLAN, REID, and
PRESIDENT GIBSON MCELHANEY

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the Council
of the City of Oakland, California

DATE OF ATTESTATION: _____

EXHIBIT A
Lease Term Sheet
5050 Coliseum Way and 750 50th Ave., Oakland

1	LANDLORD:	DODG, Corporation
2	TENANT:	City of Oakland
3	TRADE NAME / DEPT:	Bureau of Public Works
4	PREMISES:	5050 Coliseum Way & 750 50 th Street, Oakland, CA APN 034-2341-011 & 034-2341-010.
5	USE:	Vehicle maintenance building, vehicle and equipment storage, parking and office space.
6	ESTIMATED DAILY CUSTOMERS:	Approximately 10.
7	ESTIMATED DAILY ON SITE STAFF:	Approximately 107.
8	SIZE OF INTERIOR SPACE:	43,200 sq. ft. (37,200 sq. ft. at 5050 Coliseum Way & 6,000 sq. ft. at 750 50 th Ave.)
9	SIZE OF EXTERIOR SPACE:	6 acres. Approximately 210,830 sq. ft. or 4.83 acres excluding the foot print of both buildings.
10	HOURS OF OPERATION:	24 hours.
11	LEASE TERM:	10 years, subject to approval by City Council, in its sole and absolute discretion, commencing January 1, 2017 ending December 31, 2027.
12	FIXED MINIMUM RENT:	\$43,000 per month
13	RENT COMMENCEMENT DATE:	January 1, 2017, subject to approval by City Council, in its sole and absolute discretion.

14	RENT INCREASE DATE:	January 1, 2018 and each annual anniversary thereafter until the initial 10 year lease term expires as supported by the CPI. Subject to #15 & #21
15	RENT INCREASE METHOD:	With the exception of #21, CPI Rate, Urban Consumers, All Items, San Francisco, Oakland, San Jose, maximum annual rent increase not to exceed 5%. If the CPI is negative or remains unchanged from the prior year, the rent will remain the same or stay flat.
16	DELINQUENT / LATE RENT FEE:	\$900. No interest added to late fees or late rent, if any.
17	ESTIMATED CAM / BUILDING OPERATING COST:	Tenant Pays 100%. (excluding item #35)
18	DEPOSIT:	\$0.00
19	PROPERTY TAXES:	Tenant pays 100% of annual tax increase in excess of the 1998-99 base year of \$52,839.80 Landlord to provide Tenant with a Tax Invoice that includes the prior year's invoice and the current year's invoice from the County Assessor's Office.
20	POSSESSORY TAX:	Tenant Pays, if any.
21	OPTIONS TO EXTEND THE LEASE:	5 options to extend the lease for a term of 3 years each. Tenant must notify Landlord no less than 9 months prior to lease expiration and or Option term expiration.
22	TENANT PAID FOR IMPROVEMENTS REQUIRED BY LANDLORD:	None.
23	LEASE TERMINATION NOTICE REQUIREMENTS	Both parties are required to provide a nine-month termination of tenancy notice.
24	DELIVERY OF PREMISES:	Tenant is currently occupying the property and has leased the property since 1994.
25	PARKING:	Included in the rent.

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27	UTILITIES:	Tenant shall pay for 100% of the utilities separately metered and serving tenant's premises exclusively.
28	PREPAID RENT:	Tenant shall prepay the first month's minimum rent upon execution of the lease.
29	SIGNAGE:	Prior approval from Landlord required.
30	BROKERS:	Tenant has no broker. Tenant not responsible for any broker, referral or like fees related to this transaction.
31	LEASE FORM:	Modified Industrial Gross Lease: An industrial gross lease means that the tenant pays rent plus a share of taxes which are included in the base rent; however, at the end of the year any increases in taxes are passed on to the tenant as additional tenant expense. Lease will be prepared by City Attorney's Office.
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33	INTENTIONALLY LEFT BLANK	
34	INTENTIONALLY LEFT BLANK	
35	LANDLORD REQUIRED BUILDING MAINTENANCE:	<p>At the cost of the Landlord, Landlord shall maintain in good condition, (reasonable wear and tear excluded).</p> <p>a.) The building foundations, bearing and exterior walls, sub-flooring, roof, ceiling, parking lot & restriping, window frames, gutters and downspouts, remove mold, mildew, and repair any damage therefrom.</p> <p>b.) Repair existing parking lot pot holes and restripe within 6 months of lease execution.</p> <p>c.) Repair existed roof leaks as soon as reasonable but no later than 90 days after lease execution.</p>

36	TENANT INSURANCE:	Tenant Pays. The Landlord will be added as an additionally insured party. General Liability: One million Workers Compensation: Statutory minimum Tenant may be self-insured in some or all areas
37	BUILDING INSURANCE:	Tenant is responsible for 100% of building insurance on behalf of the Landlord. Policy limit will equal 90% of the insured value of the property. Tenant may be self-insured in some or all areas. Landlord to be added as an additionally insured party.
38	FIRST RIGHTS OF REFUSAL:	If the Landlord elects to sale the property, Tenant will have the first rights to refusal to purchase the property. Tenant must reply to notice from Landlord within 60 days.
39	TENANT'S SHARE OF BUILDING:	100%
40	HOLDING OVER:	Month to Month tenancy. CPI not to exceed to (5%) per annual anniversary date. While in Holdover, Landlord required to give Tenant nine months' notice to terminate Tenancy.
41	WAIVER OF RIGHTS:	Tenant waves no rights provided in California Civil Code and Business and Professions Code.
42	CONTINGENCIES:	Approval required by City of Oakland, City Council, in its sole and absolute discretion and the City Attorney's office.

NOTICE AND DIGEST

AN ORDINANCE AUTHORIZING THE CITY ADMINISTRATOR, WITHOUT RETURNING TO COUNCIL, TO NEGOTIATE AND EXECUTE A LEASE FOR PROPERTIES LOCATED AT 5050 COLISEUM WAY AND 750 50TH AVENUE WITH DODG CORPORATION FOR USE BY THE CITY'S PUBLIC WORKS DEPARTMENT FOR A TERM OF TEN (10) YEARS, WITH FIVE, THREE-YEAR OPTIONS TO EXTEND THE LEASE, FOR THE MONTHLY RENTAL AMOUNT OF FORTY-THREE THOUSAND DOLLARS (\$43,000), EQUAL TO AN INITIAL AGGREGATE ANNUAL AMOUNT OF FIVE HUNDRED SIXTEEN THOUSAND DOLLARS (\$516,000), PLUS CONSUMER PRICE INDEX INCREASES EACH ANNUAL ANNIVERSARY DATE NOT TO EXCEED FIVE PERCENT PER YEAR; AND MAKING CERTAIN CALIFORNIA ENVIRONMENTAL QUALITY ACT EXEMPTION FINDINGS

Adoption of the proposed ordinance will authorize the City Administrator to negotiate and execute a Lease and related documents for 5050 Coliseum Way and 750 50th Avenue with Dodg Corporation for a term of ten (10) years, with five three-year options to extend the lease, in the monthly amount of forty-three thousand dollars (\$43,000), for the initial annual amount of five hundred sixteen thousand dollars (\$516,000), plus consumer price index increases each annual anniversary date. The ordinance includes findings under the California Environmental Quality Act for this action.